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**Request for Proposals**

**Securities Lending Services**

370-500-17-008

March 24, 2017

Proposals due by 2:00 p.m. CT on May 8, 2017

Mr. Jim Underwood

Chief Procurement Officer

400 West Monroe Street, Suite 401

Springfield, IL 62704

Office of the Illinois State Treasurer

Request for Proposals

##### Securities Lending Services

370-500-17-008

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# I. OVERVIEW

The Office of the Illinois State Treasurer (“Treasurer”) is issuing this Request for Proposals (“RFP”) for Securities Lending Services, specifically the lending of qualified assets, as defined by the Treasurer (collectively, the “Qualified Assets”) that currently comprise a portion of the assets purchased using State Treasury funds (collectively, the “State Portfolio”). Financial institutions that submit Proposals (“Respondent”) shall submit their Proposals by 2:00 p.m. CT on May 8, 2017.

The Treasurer seeks a securities lending agent with an efficient and cost effective security lending process. The winning Respondent (“Contractor”) must be (a) an Illinois bank or (b) a national bank with a presence in Illinois. In addition, the Contractor must be a member of the Federal Reserve System and Depository Trust and Clearing Corporation (“DTCC”), have access to all services as a member bank, and qualify as a depository for public funds. At the time the Contractor submits its Proposal, or prior to that time, if required by law, the Contractor must have all required licenses, bonding, facilities, equipment and trained personnel necessary to perform the work specified in this RFP. Finally, the Contractor must have a minimum of ten (10) years of experience performing the services being sought by this RFP.

The Contractor shall enter into a contract with the Treasurer (“Agreement”) for an initial term of four (4) years. Upon expiration of this term, the Treasurer may elect to extend the Agreement for additional periods of time, not to exceed a total of ten (10) years, including the initial four (4) years.

# II. BACKGROUND

Section 22.5 of the Deposit of State Moneys Act, 15 ILCS 520, provides the Treasurer with the authority to lend securities. Pursuant to this authority, the Treasurer lends Qualified Assets held in the State Portfolio for the purpose of earning incremental income. The State Portfolio Eligible Assets as of February 28, 2017, attached hereto as Appendix A, provides a sampling of the Qualified Assets.

The Treasurer lends Qualified Assets to earn incremental income above that which is already generated, while maintaining a “prudent investor standard” with regard to safety, liquidity, and return on the original investments. The Qualified Assets are collateralized at a level sufficient to ensure the safety of the securities, taking into account market fluctuation. The Qualified Assets are based on current information and may change as a result of future technological advancements, related statutory or administrative changes, revisions to the Treasurer’s investment strategy, consumer behavior, and/or other factors.

# III. SCOPE OF WORK

The Contractor shall provide the Treasurer the services set forth in this Section III (collectively, the “Services”) in accordance with applicable State and federal laws, rules, and regulations:

1. Lend the Qualified Assets listed in a nightly file, to be provided by the Treasurer, to counterparties approved by the Treasurer (“Counterparties”). In general, the Qualified Assets shall fall within the following categories:
2. U.S. Treasury Securities;
3. U.S. Agency Securities;
4. Supranational Securities;
5. Investment Grade Corporate Bonds; and
6. Investment Grade Municipal Bonds

# Obtain collateral for the Qualified Assets loaned to Counterparties in the form of cash or securities that are acceptable under Sections 11 and 11.1 of the Deposit of State Moneys Act, 15 ILCS 520/11and 11.1;

# Create an investment policy for the cash collateral (“Contractor’s Cash Reinvestment Policy”), subject to the approval of the Treasurer, that is in accordance with The Illinois State Treasurer’s Office Investment Policy Statement for the State Investment Portfolio (“State Policy”), attached hereto as Appendix B;

# Invest the cash collateral in accordance with the Contractor’s Cash Reinvestment Policy and the State Policy;

1. Indemnify the Treasurer for any losses due to collateral reinvestment risk, operational risk, and borrower default;
2. Provide a primary contact for the Services, direct access to the Contractor’s staff, and emergency contact phone numbers;
3. Provide the Treasurer the ability to electronically download from Contractor’s online portal prior and current day reports on the Qualified Assets loaned by the Contractor by 6:30 a.m. CT every business day from the Contractor’s internet system. The reports shall provide the following:
4. Qualified Asset level loans outstanding;
5. Qualified Assets on loan;
6. days out on loan;
7. term and open trades;
8. borrowers for each block of Qualified Assets loaned;
9. each Counterparty’s percentage of total collateralization;
10. daily and monthly earnings of the reinvestment of cash collateral;

1. in what the cash collateral is reinvested; and
2. additional daily, weekly and monthly reporting requirements at the Qualified Asset and aggregate levels.
3. Provide the Treasurer the ability to electronically download from Contractor’s online portal by 6:30 a.m. CT every business day a detailed earnings report in Excel on the Qualified Assets loaned by the Contractor that contains the following:
4. Committee on Uniform Security Identification Procedures (“CUSIP”) number;
5. Qualified Asset description;
6. Counterparty;
7. location;
8. currency;
9. settlement date;
10. effective date;
11. term date,
12. quantity;
13. rebate/rate fee;
14. investment yield;
15. spread,
16. contract amount;
17. Treasurer’s earnings split;
18. gross earnings;
19. Contractor’s earnings split; and
20. Qualified Asset earnings as of close of business for the prior date.

I. Provide the Treasurer the ability to electronically download from Contractor’s online portal the following reports on the Qualified Assets loaned by the Contractor by 6:30 a.m. CT every business day:

# Daily and monthly detailed and summary earnings report (in PDF and Excel formats);

# Qualified Asset/liability GAP report;

# Counterparty/Issuer Exposure Report;

# Investment Holdings by Client Report;

# Counterparty Cash Collateral Exposure Report;

1. Percent on Loan Report;

# ABV Proof Report;

1. Stress Testing Report of Securities Lending Portfolio;
2. Counterparty Credit Review Report; and

# Quarterly Cash and Securities Reinvestment Collateral Report (in PDF and Excel formats).

J. Provide the Treasurer the ability to search for specific transactions based on asset type, term, date range, dollar amount, interest earned, collateral invested in repurchase agreements, and counterparty within Contractor’s online portal; and

K. Provide the Treasurer the daily Qualified Asset movement instructions no later than 11:00 a.m. CT every business day, excluding State holidays.

# IV. PROPOSAL

**A. Proposal Format**

1. Cover Page – The cover page shall provide the name, physical address, e-mail address, and telephone number of the person(s) available for contact regarding the Proposal. Such person(s) must be authorized to make representations on behalf of the Respondent.
2. Table of Contents – Please list the sections in Respondent’s Proposal and their corresponding page numbers.
3. Introduction – Include any introductory remarks, not to exceed three (3) pages, deemed appropriate. Briefly discuss such topics as the Respondent’s background, management, facilities, staffing, related experience, and financial stability.
4. Scope of Work –Respondent shall provide a brief (i.e. no longer than five (5) page) narrative, describing the general conceptual approach Respondent would take to provide the Services and any other information Respondent believes is relevant. Emphasis should be on clarity, brevity and completeness of the response.
5. Answers to Questions – Respondent must respond to all of the questions presented in Section V.B of this RFP. Respondent’s answers must include the headings (e.g. “Background”) and be numbered in the order provided in Section IV.B.
6. Service Team – Provide an organizational chart, biographies, and resumes for the proposed Service team, including research staff and support staff. Please identify the primary contact person and describe the role of each key person.
7. Subcontractors – Provide a list of the subcontractor(s) Respondent will use for the Services, if any and the general type of work to be performed by each subcontractor.
8. State Certifications and Disclosures – Respondent and any subcontractor(s) must submit the following three (3) fully executed documents: Illinois State Treasurer Certifications, Disclosures Financial Interest and Potential Conflicts of Interest (Disclosure Form A), and the Disclosures Other Contract and Procurement Related Information (Disclosure Form B).
9. Cost Proposal – Respondent’s price (“Cost Proposal”) shall be provided in a separately sealed envelope.
10. Redacted Copy – If the Proposal contains any information that Respondent considers to be exempt from public disclosure under the Illinois Freedom of Information Act (“FOIA”) (5 ILCS 140) or other applicable laws and rules, Respondent should submit in a separately sealed envelope an additional copy of the Proposal with proposed confidential information redacted, as detailed in Section V.E.9 of this RFP (“Redacted Copy”).

Proposals must be submitted in a sealed envelope or package bearing the title “Securities Lending Services Proposal 370-500-17-008 for the Office of the Illinois State Treasurer” and the Respondent’s name and address. The package must include one (1) original and five (5) copies of the Proposal. A separate envelope must contain one (1) original and five (5) copies of the Cost Proposal. If confidentiality of any information is asserted, one (1) Redacted Copy should be provided in an additional separate envelope. In addition, please provide five (5) electronic copies of the Proposal, five (5) separate electronic copies of the Cost Proposal, and, if confidentiality of any information is asserted, one (1) electronic Redacted Copy. Each electronic Proposal copy, each electronic Cost Proposal copy and, if submitted, the Redacted Copy shall be on a separate thumb drive.

**B. Questions to be Addressed in the Proposal**

Respondents shall provide answers to the following questions:

# Background and Experience

# Provide a brief overview of the Respondent. Describe Respondent’s corporate structure, including holding and parent companies, corporate affiliates, its legal form, and primary locations (as well as any additional locations that will provide services for Respondent’s security lending program).

1. Certify whether since January 1, 2015, Respondent or its officer(s) or principal(s), acting within the scope of their employment, have been found liable or have been subject to a consent order as a result of any publicly disclosed enforcement action or other regulatory proceeding by any of the following entities, including any divisions thereof: the Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System.
2. Since January 1, 2015, has Respondent or any of its officers or principals, acting within the scope of their employment, been subject to any enforcement actions by any of the following entities, including any divisions thereof: Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System? If so, provide a detailed explanation.

# Has Respondent been a party to any lawsuit from January 1, 2015 to present? If so, please provide a detailed explanation.

# Has Respondent experienced any data breach or loss of personal, financial or other data considered private or confidential since January 1, 2015? If so, provide details and what steps were taken to address the issue both in the short term related to the specific breach/loss and also in the longer term to prevent such a breach/loss from happening again.

# Discuss Respondent’s corporate governance compliance practices.

# Describe Respondent’s risk management practices and internal controls to ensure adherence to applicable federal and state laws, regulatory agency guidance, and industry best practices.

# Provide Respondent’s current IDC Financial Publishing, Inc. (“IDC”) and Community Reinvestment Act (“CRA”) rating.

# Describe any changes in Respondent’s ownership or management structure since January 1, 2015. Will these changes have any impact on Respondent’s ability to provide the Services during the expected term of the Agreement?

# Provide contact information for three (3) client references. References must be entities to which Respondent provided services most similar to the Services.

# 

# Does Respondent currently have or has Respondent had in the past ten (10) years any contracts that contain services similar to the Services with respect to size, scope, and complexity? For each contract, provide the following information:

# The entity for which Respondent is providing or has provided services and a brief description of such entity;

# The contract term; and

# A description of the services Respondent is providing or has provided under the contract.

# Provide audited annual financial statements and related documentation for the last 3 full fiscal years and any available 2017 information or since the date of organization if less than 3 years old. The Respondent may provide the information on compact disc or reference a website that contains complete and accurate information. All financial data, including data in an annual report must be in U.S. Dollars.

# If applicable, please address all substantive issues raised by independent auditors in your SSAE 16.

# Please provide verification that Respondent is a registered investment advisor with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940;

# Provide ratings from two (2) rating agencies, registered with the Securities Exchange Commission as a Nationally Recognized Statistical Rating Organization (“NRSRO”). Include ratings for senior debt, subordinated debt, and long-term deposits, if available.

# What is the approximate revenue and profit contribution of Respondent’s institutional securities lending business to overall company revenue and profit in percentage terms?

# Describe Respondent’s current client base. How many clients participate in Respondent’s securities lending program?

# Provide the number of clients gained and/or lost in the chart below. For accounts gained, report corresponding market values in US$ millions as of initiation date. For accounts lost, report market values in US$ millions as of termination date. Responses should be in terms of aggregate lendable assets.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Clients Gained (#)** | **Clients Gained ($)** | **Clients Lost (#)** | **Clients Lost ($)** |
| **2012** |  |  |  |  |
| **2013** |  |  |  |  |
| **2014** |  |  |  |  |
| **2015** |  |  |  |  |
| **2016** |  |  |  |  |

# Program Information

# Describe the level of importance of Respondent’s securities lending program to Respondent and to Respondent’s overall corporate strategy. How long has Respondent been involved in securities lending?

# Provide a detailed description of Respondent’s processes and procedures for securities lending, using the sample Qualified Assets provided in Appendix A State Portfolio Qualified Assets as of February 28, 2017. Include a detailed description of how Respondent determines and identifies lendable securities and tracks a transaction from loan initiation to the return of the loaned security.

# Provide an estimate of the income for one year that would be generated by the sample Qualified Assets in Appendix A State Portfolio Qualified Assets as of February 28, 2017. Specify all assumptions used in calculating estimated income and show the following spreads: Total Investment Received, Rebate Rate Paid, Investment, Client all in spread and Demand/Intrinsic.

# How does the Respondent determine the “intrinsic value” of fixed income securities that are on loan?

# Does Respondent provide a written policy for the reviews of lending limits? If so, please provide a copy of such policy.

# Describe Respondent’s process, including time lines, for recalling securities out on loan that are required to be returned to the client?

# Provide Respondent’s total program historical annualized utilizations, Qualified Asset/liability yield GAP performance, spreads and return on asset (“ROA”) by Qualified Asset class for the most recent calendar year.

# Describe the working relationship between senior management, trading, investment management, compliance, risk management and operations. Who is responsible for oversight of the securities lending program?

# If subcontractors are utilized, explain why the subcontractor’s functions cannot be performed by the Respondent.

# Affirm that Respondent’s internal audit department conducts audits of your securities lending program. Include the types and frequencies of audits performed.

# Provide the objective of Respondent’s securities lending program. Does it minimize the risk of loss or maximize income? Explain the rationale.

# Have Respondent’s clients experienced any losses due to negligence, collateral reinvestment default, and counterparty default since the inception of Respondent’s securities lending program? What recourse was provided to clients including the dialogue to resolve the issues?

# Provide a proposed schedule for the implementation of the Services. The implementation schedule should be comprehensive, including the various phases, tentative dates, materials provided, and/or any on-site training provided by the Respondent.

# What is Respondent’s average response time to account inquiries, discrepancies, and other requests for information?

# How would Respondent staff this project in order to meet the Treasurer’s customer service needs (direct access to staff, emergency contacts, etc.)?

# Does Respondent stress test its securities lending program? Please describe the methodology and procedures utilized, and frequency of testing.

# Does Respondent follow the Statement on Best Practices for securities lending issued by the Risk Management Association Committee on Securities Lending? If not, why?

# How often does Respondent evaluate and “Mark to Market” the lending portfolio? Is each loan evaluated separately? How are excesses and deficiencies handled?

# Describe Respondent’s policy when a failure occurs for the return of a loaned security. Does Respondent have a policy specifically for borrowers that repeatedly deliver late or fail to return borrowed securities?

# 

# Does Respondent require the performance of an independent counterparty credit review by an independent unit for borrowers and cash reinvestments? If so, how often are the reviews?

# Does Respondent require that lenders and reinvestment functions be physically separated and operate on different incentive goals?

# Does Respondent have a methodology for reviewing returns and risks taken in its securities lending program and the ability to provide a report quantifying these returns and risks upon request?

# What is Respondent’s recommendation for the maximum length for a term of the loaned security?

# Is Respondent’s securities lending program in compliance with all ERISA laws and regulations?

1. Please identify any item listed in Section III of this RFP that Respondent is unwilling or unable to perform and explain why.
2. Does Respondent have an internal limit on how much of a client’s lendable assets can be lent to a single borrower on any given day? If so, please provide the limit. Describe your policy. What is the exposure limit? Is it possible that a single client can be exposed to a single borrower at any given time?
3. Describe Respondent’s security loan allocation system and the basis on which loan allocations are made. What is Respondent’s policy on overrides and exceptions?

# Indemnification

# Please explain in detail how and to what extent Respondent would fulfill the requirement of Section III.E.

# Describe Respondent’s errors and omissions insurance coverage and any other insurance coverage Respondent carries for securities lending agents. Who is the insurance provider?

# Credit Analysis

# How many credit professionals does Respondent utilize? Are these credit professionals involved in general day-to-day business activities for Respondent or solely dedicated to securities lending?

# Are credit limits set in conjunction with other areas of the Respondent? How are these limits enforced to avoid concentration risk?

# How often are due diligence credit reviews of borrowers conducted?

# 

# Where does Respondent’s credit function reside in Respondent’s overall organization structure?

# Describe Respondent process for the approval of borrowers.

# What is Respondent’s total number of approved borrower relationships? Provide a list of Respondent’s approved borrowers.

# Who are Respondent’s top ten borrowers? How much of Respondent’s total loan balances is on loan to these borrowers?

# Does Respondent have an internal limit on how much of a client’s lendable assets can be loaned to a single borrower on any given day?

# 

# Management of Collateral

# Describe Respondent’s cash collateralization policy and process. Does Respondent offer different levels of collateral reinvestment with different risk profiles, including separate accounts?

# Does Respondent have a written mark to market policy and actively monitor on a daily basis the collateralization levels for all loans?

# What is Respondent’s policy regarding maturity mismatching of the security loaned versus the collateral reinvestment?

# Describe Respondent’s procedures for selecting and monitoring cash collateral repo and cash pool investments. What are the maximums for maturity on cash repo reinvestments and weighted average maturity of cash collateral investment pools? Does Respondent follow 2(a) 7 guidelines for the pools?

# Can Respondent clearly disclose the net asset value reinvestment account on a daily basis, including specifications of negative spreads, impaired securities, and NAV breaks (if needed)?

# Can Respondent invest cash collateral according to specific client guidelines and provide monthly reports of performance, asset allocation, credit quality, duration/maturity, and other appropriate metrics?

# Reporting/Technology

# Discuss Respondent’s internal recordkeeping system for securities lending.

# 

# Discuss whether or not Respondent has an automated account allocation system for insuring that all clients are treated fairly in the allocation of security loans. Does Respondent allow manual override of the account allocation system? If so, how is this handled and what is the follow-up?

# Describe the hardware and software that Respondent utilizes for its securities lending program and for monitoring cash collateral? Who updates the program? What is distinguishes Respondent’s system from its competitors? Include a description of Respondent’s disaster recovery program.

# 

# Does Respondent provide online investment and securities lending guideline compliance reporting for all collateral investment and securities lending transactions?

# Can Respondent provide fully functional online access system for client use and reporting 24/7? Do Respondent’s web-based reports contain static data as of the close of business the prior day? Do the reports include information applicable to Governmental Accounting Standards Board (“GASB”) and Generally Accepted Accounting Principles (“GAAP”) reporting?

# What is the earliest date for which the Treasurer can run reports on the Respondent’s online portal?

# Does Respondent have the ability to customize reports as requested and offer them on its online reporting system?

# 

# Can Respondent’s online access system produce previous day and real-time reporting for the following types of reports in electronic formats and in U.S. Dollars? If so, please provide sample copies of each report:

# Daily and monthly detailed and summary earnings report (in PDF and Excel formats);

# Asset/liability GAP report;

# Counterparty/Issuer Exposure Report;

# Investment Holdings by Client Report;

# Counterparty Cash Collateral Exposure Report;

* 1. Percent on Loan Report;

# ABV Proof Report;

* 1. Stress Testing Report of Securities Lending Portfolio;
  2. Counterparty Credit Review Report;
  3. SSAE-16;

# Quarterly cash and securities reinvestment collateral report (in PDF and Excel formats); and

# Ad-hoc reporting (i.e., the ability to search transactions based on specific criteria and export the results to either PDF or Excel formats).

# Diversity

1. If publicly owned, please provide the number and percentage of members of the Respondent’s governance board who are female, minority, military veterans, or persons with disabilities.  Please cite with supporting data.
2. If privately owned, is the Respondent or its affiliates female, minority, persons with disabilities, or veteran-owned or managed?  For purposes of this RFP, “female, minority, persons with disabilities, or veteran owned or managed” shall mean being owned or managed by 51% or more of a combination of female, minority, persons with disabilities, or military veteran. Please provide the number and percentage of Respondent’s owners who are female, minority, military veterans, or persons with disabilities.  Please cite with supporting data.

1. Please provide the number and percentage of Respondent’s senior executive leaders (i.e. partner, president, COO, managing director, or other senior executives) who are female, minority, military veterans, or persons with disabilities.  Please cite with supporting data.

1. Please provide the number and percentage of Respondent’s staff (i.e. all full-time and part-time employees) who are female, minority, military veterans, or persons with disabilities.  Please cite with supporting data.

1. What is the percentage of Respondent’s intended use of subcontractors for this project, if any, that are female, minority, persons with disabilities, or veteran-owned or managed? Please cite with supporting data.

Corporate Responsibility – Environmental, Social and Governance Practices

1. Please note any policies, practices and/or business strategies the Respondent has in place to address long-term environmental risks and opportunities that may impact long-term sustainability.
2. Please highlight any policies, practices or resources that the Respondent has in place to retain and enhance the human capital at the firm.
3. Please explain how the Respondent fosters a corporate governance structure that mitigates business risks and enhances business operations.
4. Please highlight any activities, projects, or services the Respondent administers to alleviate societal issues and enhance its commitment to corporate social responsibility.  Please cite with supporting data.

# Illinois Presence

1. Is the Respondent incorporated in Illinois? Please provide the physical address and website of the Respondent’s headquarters and all Illinois branch offices.
2. Please note how many full-time employees are located at the Respondent’s headquarters and all Illinois branch offices.
3. Please describe what presence the Respondent has in the State of Illinois.  Such “presence” can be demonstrated by noting (a) the number and (b) the percentage of the Respondent’s full-time employees who spend more than half their time in Illinois and have physical offices or a principal place of business located in Illinois.
4. Using the definition provided above, what percentage of the Respondent’s subcontractors for this project, if any, have an Illinois presence?
5. Please note whether the Respondent has any plans to locate staff or hire additional staff in the State of Illinois.  Please provide supporting data.

**C. Cost Proposal**

For the Cost Proposal, Respondent shall provide the cost for the Services as an income split, specifically the percentage of the profits Respondent would take for compensation. Respondent should include all costs and expenses within the income split. However, if Respondent wishes to deduct costs and expenses before the income split, Respondent shall provide such deductions in the Cost Proposal.

# V. RFP SCHEDULE AND PROCESS

This Section provides the schedule and process for this RFP.

**A. RFP Schedule**

The following is the schedule for this RFP:

|  |  |
| --- | --- |
| **Date** | **Event** |
| March 24, 2017 | RFP published on the Treasurer’s website. |
| April 4, 2017 | Notice of intent to attend Bidder’s Conference due by 2:00 p.m. CT. |
| April 5, 2017 | Optional Bidder’s Conference at 2:00 pm CT. |
| April 13, 2017 | All Respondent questions due by 2:00 p.m. CT. |
| April 28, 2017 | Responses to all questions posted on the Treasurer’s website. |
| May 8, 2017 | Proposals due by 2:00 p.m. CT. |
| May 22-26, 2017 | Interviews and site visits, if any, with final candidates. |
| June 2, 2017 | If applicable, best and final offer due by 2:00 p.m. CT. |
| June 9, 2017 | Notification of award and begin negotiation of Agreement. |

These dates are subject to change at the Treasurer’s discretion.

**B. Contact Information**

The Treasurer’s Chief Procurement Officer (“CPO”) is the sole point of contact concerning this RFP.

Respondents should submit questions about the intent or content of this RFP and request clarification of any and all procedures used for this procurement prior to the submission of a Proposal. Respondents must submit their questions in writing by e-mail to the CPO, Jim Underwood, at junderwood@illinoistreasurer.gov by 2:00 p.m. CT on April 13, 2017.

**C. Optional Bidder’s Conference**

If a Respondent intends to participate in the Optional Bidder’s Conference, Respondent must e-mail the CPO notice of intent to participate by 2:00 p.m. CT on April 4, 2017. Participation by telephone is acceptable. The Bidder’s Conference shall be on April 5, 2017 at 2:00 p.m. CT at the following address:

400 West Monroe Street, Suite 401

Springfield, IL 62704

**D. Proposal Submittal**

All Proposals must be submitted by mail or messenger to the following address, no later than 2:00 p.m. CT on May 8, 2017:

Mr. Jim Underwood

Chief Procurement Officer

400 West Monroe Street, Suite 401

Springfield, IL 62704

Telephone: 217.782.1708

**E RFP Process**

1. Internet/E-mail Communications

The Treasurer may also communicate with Respondents via e-mail. Each Respondent should provide an e-mail address with its response for ease of communication throughout this RFP process.

2. Verbal Communications

Any verbal communication from the Treasurer’s employees or its contractors concerning this RFP is not binding on the Treasurer, and shall in no way alter a specification, term or condition of this RFP.

3. Amendments

If it is necessary to amend this RFP, the Treasurer will post any amendments on its website at www.illinoistreasurer.gov.

4. Respondent’s Costs

The cost of developing a Proposal is each Respondent’s responsibility and shall not be charged to the Treasurer.

5. Withdrawal of Proposal

Respondent may withdraw its Proposal at any time prior to the deadline for receipt of Proposals. The Respondent must submit a written withdrawal request, addressed to the CPO and signed by the Respondent’s duly authorized representative.

6. Modification of Proposal

A Respondent may submit an amended Proposal before the deadline for receipt of Proposals. Such amended Proposal must be a complete replacement for the previously submitted Proposal and must be clearly identified as such in the transmittal letter to the CPO.

7. Proposal is a firm offer

A Proposal submitted in response to this RFP is a firm and binding offer, valid for 180 days after the due date for Proposals or the due date for the receipt of a best and final offer, whichever falls later.

8. Proposal is State Property

On the Proposal due date, all Proposals and related material submitted in response to this RFP become the property of the State of Illinois.

9. Proposal is Part of a Public Procurement File

All Proposals received by the Treasurer will be open to the public, though a Respondent may request that the Treasurer treat certain information as confidential in accordance with 44 Ill. Admin. Code §1400.2505. If Respondent requests confidential treatment of any information it considers to be exempt from public disclosure under FOIA or other applicable laws and rules, Respondent should submit a Redacted Copy, which copy shall be clearly identified as the “Redacted Copy.” In a separate attachment to the Redacted Copy, Respondent shall supply a listing of the provisions of the Proposal, identified by section number, for which it seeks confidential treatment, identify the basis of each claimed exemption and show how that basis applies to the request for exemption in accordance with 44 Ill. Admin. Code §1400.2505(l). The Redacted Copy must retain as much of the Proposal as possible.

A request for confidential treatment will not supersede the Treasurer’s legal obligations under FOIA. The Treasurer will not honor requests to keep entire Proposals confidential, and will in any event disclose the successful Respondent’s name, the substance of the Response, and the price.

10. CPO May Cancel RFP

If the CPO determines that it is in the Treasurer’s best interest, he reserves the right to do any of the following: (a) cancel this RFP; (b) modify this RFP in writing as needed; or (c) reject any or all Proposals received in response to this RFP.

11. Additional Information

The Treasurer reserves the right to request additional information and to meet with representatives of Respondent to discuss their Proposals.

# VI. EVALUATION PROCESS AND CRITERIA

This Section explains how the Treasurer will evaluate the Proposals.

**A. Mandatory Requirements**

Failure to meet any of the following requirements shall lead to Respondent’s automatic disqualification:

1. Submit Proposal and accompanying Cost Proposal by 2:00 p.m. CT on May 8, 2017;
2. In Respondent’s Proposal, provide all of the sections and the information required for each section as set forth in Section IV.A of this RFP;
3. Provide the Cost Proposal in a separately sealed envelope and on a separate electronic storage device;
4. Be authorized to do business in Illinois as an Illinois bank or a national bank with a presence in Illinois;
5. Be a member of the Federal Reserve System and DTCC and have access to all services as a member bank. Qualify as a depository for public funds;
6. Be an established financial institution with all required licenses, bonding, facilities, equipment and trained personnel necessary to perform the work as specified in this RFP at the time of this RFP, or prior to that time, if required by law. The Treasurer reserves the right to require proof of said requirements within ten (10) calendar days from the date of receipt of the Respondent’s Proposal;
7. Have a minimum of ten (10) years of experience performing services that are considered identical or similar in nature to the Services;
8. Be authorized to transact business in Illinois for all of the Services; and
9. Since January 1, 2015, Respondent or its officer(s) or principal(s), acting within the scope of their employment, have not been found liable or have not been subject to a consent order as a result of any publicly disclosed enforcement action or other regulatory proceeding by any of the following entities, including any divisions thereof: the Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System.

**B. Scoring**

|  |  |
| --- | --- |
| **Evaluation Factor** | **Maximum Number of Points Possible** |
| Background and Experience | 20 |
| Quality of Services | 45 |
| Diversity | 10 |
| Corporate Responsibility | 10 |
| Illinois Presence | 10 |
| Cost Proposal | 10 |
| Interview, if applicable | 5 |
| **TOTAL** | 110 |

**C. Determining Scores**

1. Background and Experience

Scoring will be based on Respondent’s demonstrated talent and experience of assigned personnel. The breadth and depth of similar engagements will be considered. The evaluation will also include reference checks regarding the Respondent's work for other clients who received or are receiving services similar to those required by this RFP.

2. Quality of Services

Respondent’s ability to perform the Services will be evaluated based on the answers Respondent provides in the Scope of Work and Answers to the Questions sections of the Proposal.

1. Diversity

Respondent’s diversity score will be scored based on the answers the Respondent provides to the diversity questions in Section IV.B.69 through 73 of this RFP. The Evaluation Team shall award a higher diversity score to Respondents (including subcontractors) that are female, minority, person with disabilities, or veteran owned or managed. Having a higher percentage of subcontractors that are female, minority, person with disabilities, or veteran owned or managed shall also result in higher scores.

1. Corporate Responsibility

Respondent’s corporate responsibility shall be scored based on the answers Respondent provides to questions IV.B.74 through 77.

1. Illinois Presence

Respondent’s Illinois presence shall be scored based on the answers Respondent provides to questions IV.B.78 and IV.B.82. Respondents with a principal place in Illinois and a higher percentage of employees in Illinois shall receive higher scores.

1. Cost Proposal

The Evaluation Team shall evaluate the cost-effectiveness of Respondent’s Cost Proposal in order to determine the Cost Proposal score.

1. Interview

In the event the Treasurer does not conduct interviews, all Respondents will be awarded zero (0) points for this evaluation factor.

* + - 1. **Evaluation Process**

All Proposals will be reviewed for compliance with the RFP requirements. Proposals deemed non-responsive will be eliminated from further consideration. The Chief Procurement Officer may contact the Respondent for clarification of the Proposal, and the Evaluation Team may use other sources of publically available information to perform its evaluation. Finally, the Evaluation Team will make a recommendation regarding the final Respondent.

# VII. CONTRACTUAL TERMS

The Contractor shall agree to each contractual provision set forth in this Section.

**A. Contractual Responsibility**

Contractor will be contractually responsible for all services provided. By responding to the RFP, Contractor expressly agrees to the contractual requirements herein. Contractor shall at all times provide services in a commercially reasonable manner.

**B. Governing Law**

The Agreement shall be governed in all respects by the laws of the State of Illinois, without regard to conflicts of law principles. Any action by Contractor against the Treasurer can only be brought in the Illinois Court of Claims.

**C. Term of Agreement**

The initial term of the Agreement will be four (4) years, unless terminated in accordance with the terms of the Agreement. The Treasurer may with the consent of the Contractor, elect to extend the Agreement for additional periods, not to exceed a total term of ten (10) years (including the initial four (4) years).

**D. Termination**

1. Termination without Cause

The Treasurer may elect to terminate the Agreement at any time upon thirty (30) calendar days’ notice. Upon termination, the Treasurer will pay for work satisfactorily completed prior to the date of termination.

1. Termination for Cause

Notwithstanding any language to the contrary, the Agreement may be terminated by the Treasurer or CPO under any of the following circumstances:

1. Contractor fails to furnish satisfactory performance within the time specified;
2. Contractor fails to perform any of the provisions of the Agreement or so fails to make progress so as to endanger the performance of the Agreement in accordance with its terms;
3. Any services provided under the Agreement are rejected and are not promptly correctly by the Contractor or repeatedly rejected even though Contractor offers to correct services promptly;
4. There is sufficient evidence to show that fraud, collusion, conspiracy, or other unlawful means were used to obtain the Agreement;
5. Contractor is guilty of misrepresentation in connection with another contract for services to the State;
6. Contractor is adjudged bankrupt or enters into a general assignment for the benefit of its creditors or receivership due to insolvency;
7. Change in federal or State law or rules, or the Contractor’s, or Treasurer’s policies that would frustrate the purpose of the Agreement;
8. Contractor disregards laws and ordinances, rules, or instructions of the Treasurer or his agents, acts in violation of any provision of the Agreement, or acts in conflict of any statutory or constitutional provision of the State of Illinois or the United States;
9. Contractor commits any other breach of the Agreement or commits other unlawful acts; or
10. Contractor provides notice pursuant to Section VII.R or fails to provide such notice.

Prior to terminating the Agreement for cause, the Treasurer shall issue a written warning that outlines the remedial action necessary to bring the Contractor into conformance with the Agreement.  If such remedial action is not completed to the satisfaction of the Treasurer within thirty (30) business days, a second written warning may be issued.  If satisfactory action is not taken by Contractor within five (5) business days of the date of the second written warning, the Agreement may be cancelled and the Treasurer may recover any and all damages involved with the transition to a new vendor including incidental and consequential damages.  Failure by the Treasurer to issue a warning or cancel this Agreement does not waive any of the Treasurer’s rights to issue subsequent warnings.

In addition, the Treasurer reserves the right to reduce the amount paid to Contractor as compensation for services under the Agreement during any period Contractor fails to perform with reasonable care any of its obligations under the Agreement.

**E. Work Product**

1. Ownership of work product.

Except as otherwise agreed to in writing, all work product, including, but not limited to, documents, reports, data, information, designs, code, and ideas specially produced, developed, or designed by the Contractor under the Agreement, whether preliminary or final, (collectively, “Work Product”) will become and remain the property of the Treasurer, including any copyright or service marks developed by the Contractor on behalf of the Treasurer. The Treasurer shall have the right to use all such work product without restriction or limitation and without further compensation to the Contractor.

2. Return of Work Product

Within thirty (30) days after expiration or termination of the Agreement, the Contractor shall deliver to Treasurer, or to a third party, if so instructed by the Treasurer, all Work Product in Contractor’s possession in the performance of the Agreement. If requested by the Treasurer, the Contractor shall certify in writing that all such Work Product has been delivered to the Treasurer.

**F. State Furnished Property**

Contractor shall be responsible for the security, protection, and return of all property furnished by the State of Illinois, if any, including but not limited to, items, research materials, photographs, and drawings.

**G. Internal Controls**

If applicable and upon request, the Contractor shall provide the Treasurer with a copy of the most recent Annual Report or Form 10-K of its parent holding company, which shall include the attestation of the company’s independent registered accounting firm regarding the company’s internal control over financial reporting.

**H. Back-up Facilities**

Upon execution of the Agreement, the Contractor and its subcontractor(s), if applicable shall provide the Treasurer a summary of their disaster recovery plan, back-up plan, and testing schedule.

**I. Liability**

The Treasurer assumes no liability for the acts or omissions of the Contractor. This liability rests solely with the Contractor. The Contractor shall be liable to the Treasurer for actual and compensatory damages that are available to the Treasurer in law or remedies in equity.

**J. Indemnification**

The Contractor will indemnify, defend, and hold Treasurer, their officers, agents, and employees, harmless from and against any and all liabilities, demands, claims, lawsuits, losses (including losses due to collateral reinvestment risk, operational risk, and borrower default risk), damages, causes of action, fines, or judgments, including costs, attorneys’ and witnesses’ fees and expenses incident thereto, for all injuries, including, but not limited to, injuries to person and for loss of, damage to, or destruction of property due to the Contractor’s negligent acts or omissions or willful misconduct of Contractor, its employees, or its agents in connection with thisRFP and subsequent Agreement.

**K. Subcontractors**

The Contractor may not use subcontractors to perform the Services, unless the subcontractor is approved in advance by the Treasurer. Contractor must disclose the duties to be performed by the subcontractor. The Contractor will be required to obtain written approval from the Treasurer prior to adding or changing subcontractors. Subcontractors will be required to complete the attached State Certifications and Disclosure Forms, attached hereto as Appendix C.

**L. Record Retention and Audit**

Contractor and subcontractors, if any, agree to maintain books and records related to the performance of the Agreement and necessary to support amounts charged to the State under the Agreement for a minimum of three (3) years from the last action on the Agreement or after termination of the Agreement, whichever is longer. Contractor and subcontractors further agree to cooperate fully with any audit and to make the books and records available for review and audit by the Auditor General, chief procurement officers, internal auditor and the Treasurer; Contractor agrees to cooperate fully with any audit conducted by the Auditor General or the Treasurer and to provide full access to all relevant materials. The three (3) year period shall be extended for the duration of any audit in progress during the term. Failure to maintain the books, records and supporting documents required by this Section shall establish a presumption in favor of the State for the recovery of any funds paid by the State under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

**M.** **Confidentiality and Security Requirements**

1. Confidential Information

Contractor shall be prohibited from using or disclosing information received in the course of fulfilling its obligations pursuant to the Agreement (“Confidential Information”), except in the performance of its internal responsibilities and normal functions. Confidential Information includes all information but the following:

1. Information already known or independently developed by the recipient;
2. Information required to be released by law;
3. Information in the public domain through no wrongful act of the recipient; and
4. Information received from a third party who was free to disclose it.

2. Use of Confidential Information by Employees and Agents of Contractor

The requirement of confidentiality under this Agreement also applies to the employees and agents of the Contractor. The Contractor shall use its best efforts to ensure that its employees and agents adhere to the confidentiality requirements set forth herein. Use by and disclosure to employees and agents of Confidential Information to the extent necessary to carry out the terms and purposes of this Agreement is acceptable.

3. Protection of Confidential Information

The Contractor represents, warrants, and covenants that it has implemented and will maintain an information security program reasonably designed to protect Confidential Information, including customer information, which program includes administrative, technical, and physical safeguards to ensure the security and confidentiality of all customer information, to protect against anticipated threats or hazards to the security or integrity of such customer information, and to protect against unauthorized access to or use of such customer information.

4. Privacy Policy

Contractor will comply with any applicable federal or state laws or regulations, as well as any privacy policy developed by the Treasurer. Contractor further agrees to establish, maintain, and comply with a privacy policy with respect to the Project that meets the requirements of applicable law.

5. Program Lists

The Contractor specifically agrees that it shall not, and shall cause its subcontractors and affiliates not to, sell, provide, or otherwise disclose information from, any program list to any third party, unless otherwise directed to or approved by the Treasurer or required by applicable law.

**N. Successor and Assignment**

Each term and provision of the Agreement is binding and enforceable against and inures to the benefit of any successors of the Treasurer and any successors of Contractor, but neither this Agreement nor any of the rights or obligations under the Agreement may be transferred or assigned by a financial institution without the Treasurer’s prior written consent. Any attempt by Contractor or subcontractor, if applicable, to transfer or assign any rights or obligations related to the Agreement without the prior written consent of the Treasurer shall render this Agreement voidable by the Treasurer. The Treasurer may unilaterally bind any successor of the Contractor to the terms and conditions of the Agreement.

**O. Reporting and Testing**

Following execution of the Agreement, the Contractor must provide a complete sample of all reports generated by its internet system. The reports must contain the data specified in Section III of this RFP. The Contractor must also provide the Treasurer access to the Contractor’s online portal for the purpose of testing the exporting of information into the following formats: PDF, CSV, and TXT. The Treasurer must receive all reports and test data prior to execution of the Agreement.

**P. Continuation of Services**

The Contractor shall guarantee performance of the Services and agree to perform all Services in an efficient and professional manner. The Contractor’s obligations and responsibilities pursuant to the Agreement shall not be affected in the event of personnel problems, strike by employees, work stoppages, and other employee-related events. The Contractor is responsible for and shall provide commercially reasonable backup systems and shall review the adequacy of those systems with the Treasurer upon request. The prevention of such business interruption shall be the sole responsibility of the Contractor, and the Contractor shall immediately notify the Treasurer in the event such business interruption takes place. The Contractor shall be liable for any losses or damages sustained by the Treasurer due, in whole or in part, to the Contractor’s failure to provide reasonable backup systems.

**Q. Certifications**

The Contractor shall certify the following:

1. That the Contractor has the full legal right, power, and authority to execute and deliver the Agreement and to perform its obligations pursuant to the Agreement with no other corporate action on the part of the Contractor or its stockholders being necessary, and that the Agreement has been duly and validly executed and delivered by the Contractor, thereby constituting a legal, valid, and binding obligation of the Contractor, enforceable against the Contractor in accordance with its terms;
2. That the execution and delivery by the Contractor of the Agreement, the performance by Contractor of its duties and obligations thereunder, and the consummation of the transactions contemplated do not result in any of the following:
   1. Conflict with or result in a violation or breach of any of the terms, conditions, or provisions of the charter or by-laws of Contractor;
   2. Conflict with or result in a violation or breach of any term or provision of (a) any law, rule, regulation, judgment, decree, order, or injunction applicable to the Contractor or any of its assets and properties or (b) any agreement binding on or affecting the Contractor or any of its properties; or
   3. Conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default under any material agreement to which the Contractor is a party, or any material obligation or responsibility which the Contractor has to any third party.
3. That there is no action, suit, investigation, or proceeding pending or, to the best knowledge of the Contractor, threatened against the Contractor before any court, arbitrator, or administrative or governmental body that might result in any material adverse change in the operations of the Contractor or which might materially and adversely affect the ability of the Contractor to perform the Services or otherwise comply with its obligations under the Agreement.

**R. Notice**

The Contractor hereby agrees to give the Treasurer notice if at any point during the term of this Agreement, Contractor or its officer(s) or principal(s), acting within the scope of their employment, are found liable or become subject to a consent order as a result of any publicly disclosed enforcement action or other regulatory proceeding by any of the following entities, including any divisions thereof: the Securities and Exchange Commission, Department of Justice, Consumer Financial Protection Bureau, U.S. Department of the Treasury, Federal Deposit Insurance Corporation, or the Federal Reserve System. The Contractor shall provide the Treasurer such notice within ten (10) business days of when Contractor knows or reasonably should have known of the liability or consent order. Contractor’s delivery of notice pursuant to this Section or failure to provide the required notice shall give the Treasurer reason to terminate the Agreement for cause.

**S. Most Favorable Terms**

If more favorable terms are granted by the Contractor to any similar governmental agency in any state in a contemporaneous agreement under the same or similar financial terms and circumstances for comparable services, the more favorable terms will be applicable under the Agreement.

**T. Change of Law or Policy**

The Contractor shall notify the Treasurer in writing within ten (10) business days of any change or addition applicable to the Contractor in federal or state regulations or laws that would adversely affect either the terms of or the rights granted the Treasurer by the Agreement, and within five (5) business days of any legally required change in or addition to Contractor’s internal operational policy that might affect the Contractor’s performance of the Services, including but not limited to any policy that relates to management, maintenance, record keeping, safekeeping, custody, or subcontracting.

**U. Modification of the Agreement**

The Services to be provided under the Agreement shall be subject to modification and supplementation only upon the written agreement of the duly authorized representatives of the contracting parties. No modification of the terms of the Agreement shall be made that would materially change the delivery of service, unless such changes are mutually agreed by and between the Treasurer and the Contractor and shall be incorporated in written amendments to the Agreement, processed through and approved by the Treasurer.

**V. State Certifications/Disclosures**

# The Agreement will incorporate Contractor’s fully executed State Certifications and Disclosure Forms.